

BEFORE THE
POSTAL REGULATORY COMMISSION
WASHINGTON, D.C. 20268-0001

FIRST-CLASS PACKAGE SERVICE (FCPS)
SERVICE STANDARD CHANGES, 2021

Docket No. N2021-2

**RESPONSES OF THE UNITED STATES POSTAL SERVICE TO QUESTIONS 1-7
AND 9-19 OF PRESIDING OFFICER'S INFORMATION REQUEST NO. 11**
(August 12, 2021)

The United States Postal Service hereby provides its responses to the above-listed questions of Presiding Officer's Information Request No. 11, issued on August 5, 2021. Each question is stated verbatim and followed by the response. The response to Question 8 is still being prepared.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

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**RESPONSE OF UNITED STATES POSTAL SERVICE WITNESS HAGENSTEIN TO
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1. Has the Postal Service faced any challenges in acquiring sufficient surface transportation for FCPS during the COVID-19 pandemic to meet its surface transportation needs? If yes, what were these challenges and how did the Postal Service resolve them?

RESPONSE:

Yes, the Postal Service faces similar issues resulting from driver shortages.

When scheduled service is omitted, the site will utilize alternative routings that can be used to transport the volumes to the destination. In cases where no alternate routings are available, and volume warrants, exceptional service is arranged to move mail volumes. Continued efforts are underway to eliminate unnecessary trips and ease burdens on the network and reduce costs. The proposed service standard changes will expand the transportation window for many lanes, creating a buffer to absorb delays currently caused when arranging go-anywhere transportation to cover omitted service.

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2. Does the Postal Service expect to face any challenges in acquiring sufficient surface transportation for FCPS after the proposal is implemented?
 - a. If yes, please explain what challenges are expected and how does the Postal Service plan to resolve them.
 - b. If no, please explain the basis for the Postal Service's expectation.

RESPONSE:

- 2.a. The ability to reduce network mileage and trips by increasing routing efficiencies attributed to the proposed service standard change provides a measure of mitigation against market conditions in the trucking industry. Although HCR suppliers are currently having difficulty retaining and hiring drivers, the Postal Service intends to use contract surface transportation more efficiently, and thus use fewer trips; fewer trips in turn imply fewer impacts caused by driver shortages.
- 2.b. N/A.

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3. Please refer to Emily Badger, Quoc Trung Bui, & Margot Sanger-Katz, The New York Times, The Postal Service Survived the Election. But It Was Crushed by Holiday Packages, January 19, 2021, available at <https://www.nytimes.com/interactive/2021/01/19/upshot/postal-service-survived-election-but-crushed-by-holidays.html>; Wimberly Patton, CDL Life, Truckers are behind the scenes of the current mail crisis and it doesn't look good, December 15, 2020, available at <https://cdllife.com/2020/truckers-are-behind-the-scenes-of-the-current-mail-crisis-and-it-doesnt-look-good/>. Assuming that the Postal Service implements its proposal on or about October 1, 2021 (as planned), please discuss how the Postal Service plans to handle the upcoming peak season for FCPS (from approximately the end of November through December) in light of the impact of COVID-19 and the past backups experienced at facilities.

RESPONSE:

In order to continue providing reliable service, the Postal Service has addressed capacity issues by acquiring additional space in 46 locations to accommodate package growth. We also purchased 138 additional package sorting machines this year and added over 14,000 permanent positions to our workforce. This will allow us to handle additional package volume in our processing and delivery network.

We are also addressing bottlenecks in our logistics networks by contracting additional Surface Transportation Centers (STCs) and cross-dock facilities to increase our capacity to distribute mail throughout our ground networks and create surge capacity.

Processing sites are also adjusting processing and advancing the dispatch of package volumes on early transportation designed to pick up volumes from the Delivery Units. This effort will also help alleviate workroom floor congestion.

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4. Please refer to USPS-T-1 at 3, lines 4-5, where the Postal Service states “we expect to require fewer surface transportation trips over a given period than we currently require.” USPS-T-1 at 3 (footnote omitted). Further, “we do not anticipate increased challenges with respect to driver shortages/availability or motor vehicle accidents.” *Id.* at 3, n.6. Please also refer to Daniella Genovese, Truck Driver Shortage Affecting Deliveries Nationwide, April 13, 2021, Fox Business, available at <https://www.foxbusiness.com/lifestyle/truck-drivers-shortage-2021>, which indicates the shortage is expected to grow in coming years, and will require approximately 1.1 million additional drivers over 10 years to keep up with demand. Please also refer to <https://www.ccjdigital.com/business/article/15064327/driver-shortage-not-abated-by-2020s-reshuffling-of-labor-market>, which indicates additional challenges for filling the driver shortages.
- a. Please explain the basis for the Postal Service's expectation, and provide any supporting material necessary, that the Postal Service will not face increased challenges with respect to driver shortages after the proposal is implemented.
 - b. Please discuss how the Postal Service plans to handle driver shortages after the proposal is implemented that impact particular geographic areas.
 - c. In the past 5 years, has there been instances where the Postal Service could not acquire planned surface transportation for FCPS due to a shortage of drivers? If yes, what geographical region(s) did this shortage occur and what was the remedy for these instances?
 - d. In the past 5 years, has there been instances where FCPS were planned to be transported by surface and had to be re-routed to air due to an unexpected shortage of surface transportation? If yes, please describe the circumstances, the geographical region(s), and the resulting cost and service performance implications.

RESPONSE:

- 4.a. For clarity, the text of the testimony to which the question refers states:

“Moreover, through improved surface transportation capacity utilization and consolidation, we expect to require fewer surface transportation trips over a given period than we currently require.” The referenced footnote 6 state: “As a result, we do not anticipate increased challenges with respect to driver shortages/availability or motor vehicle accidents.” The ability to reduce network

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mileage and trips by increasing routing efficiencies attributed to the proposed service standard change provides a measure of mitigation against market conditions in the trucking industry. Although HCR suppliers are having difficulty retaining and hiring drivers, the Postal Service intends to use contract surface transportation more efficiently, and thus use fewer trips; fewer trips in turn imply fewer impacts caused by driver shortages.

	Baseline	FCPS Model
Trips	4,881	4,597
Miles	2,223,630	2,204,005

- 4.b.** The Postal Service will continue to handle driver shortages by rerouting volumes or calling extra service when needed to cover omitted scheduled service.
- 4.c.** There are instances where driver shortages have caused omitted service for all product types. Volumes are rerouted to destination via alternate routings or extra service is contracted when scheduled service is omitted.
- 4.d.** I am not aware of FCPS being rerouted to the air network due to driver shortages.

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5. Please describe what operational protocol the Postal Service will have set in place after the proposal is implemented, and should there be a shortage of drivers to maintain a steady supply of reliable surface transportation for FCPS.

RESPONSE:

The Postal Service will continue to handle driver shortages by rerouting volumes or calling extra service when needed to cover omitted scheduled service. The additional slack time in the network will help in absorbing dispatch delays caused by omitted service.

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6. Please refer to the response to Presiding Officer's Information Request (POIR) No. 1, question 4.a.,¹ in which the Postal Service states that the 95 percent on-time delivery target was chosen in part due to additional changes other than those made to the FCPS service standards—namely, the “hir[ing of]additional staffing, install[ation of] additional mail processing equipment, and acqui[sition of] additional facility space for both logistics and mail processing operations.”
- a. How will the Postal Service measure whether the implementation of these changes leads to increased efficiency and network utilization?
 - i. Does the Postal Service have any benchmarks, thresholds, or measureable criteria to monitor the impact of these changes?
 - (1) If yes, please describe such benchmarks, thresholds, or measureable criteria.
 - (2) If no, please explain why the Postal Service does not plan to use any benchmarks, thresholds, or measureable criteria to monitor the impact of these changes.
 - b. Will the Postal Service attempt to disaggregate the impacts that each of these changes—service standard, staffing, equipment, and space—have on efficiency and network utilization? If not, why not?

RESPONSE:

- 6.a.** The Postal Service monitors operating plan compliance and delayed volumes.
- The additional staffing, equipment, and facility space is expected to improve operating plan compliance and reduce processing delays, allowing more volume to dispatch timely.
- i. Yes.
 - 1)** As described above, processing delayed volumes, and network delays will continue to be monitored.
 - 2)** N/A

¹ Responses of the United States Postal Service to Questions 1-8.a, 9-11 of Presiding Officer's Information Request No. 1, July 6, 2021 (Response to POIR No. 1).

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- 6.b.** No. The interaction of the concurrent changes and other multiple factors will prevent disaggregation of the impact of each change.

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7. Please refer to the response to POIR No. 4, question 9,² in which, based on the assumption that the Postal Service implements its proposal on or about October 1, 2021 (as planned), the Postal Service states that it “does not expect to meet or exceed the 95 percent target level for FY 2022.”
- a. Assuming that the Postal Service implements its proposal on or about October 1, 2021 (as planned), when does the Postal Service expect FCPS on-time service performance to meet or exceed the 95 percent target level?
 - i. Please discuss the basis that supports the Postal Service's asserted timeframe.
 - ii. Please discuss the level of confidence that the Postal Service has regarding its asserted timeframe.

RESPONSE:

- 7.a.** The intent is to achieve 95 percent on-time performance by the end of FY 2022.
- i. The processing and the network changes planned to enable 95 percent on-time delivery performance are expected to be implemented by the end of FY 2022.
 - ii. The Postal Service did not calculate a confidence level for achieving the 95 percent on-time delivery performance by the end of FY 2022.

² Responses of the United States Postal Service to Questions 1-22 of Presiding Officer's Information Request No. 4, July 23, 2021 (Response to POIR No. 4).

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8. Please refer to the Response to POIR No. 4, question 9.b.ii., in which the Postal Service indicates that it does not plan to set an interim target for the FY 2022 period (during which the Postal Service acknowledges it does not expect to meet its 95 percent target level).
 - a. Please explain why the Postal Service does not plan to set an interim target for this timeframe before the Postal Service expects to meet its target.
 - b. During the timeframe before the Postal Service expects to meet its target, does the Postal Service have any benchmarks, thresholds, or measureable criteria to hold its personnel accountable for FCPS service performance?
 - i. If yes, please describe such benchmarks, thresholds, or measureable criteria.
 - ii. If no, please explain why the Postal Service does not plan to use any benchmarks, thresholds, or measureable criteria to hold its personnel accountable for FCPS service performance during this timeframe.

RESPONSE:

Response under preparation.

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9. Please refer to the response to POIR No. 6, question 4.c. and d.,³ in which the Postal Service describes that it regularly experiences a peak in demand (which includes FCPS volumes) from approximately the end of November through December.
- a. In the Response to POIR No. 6, question 4.c., the Postal Service describes that it “has separate planning for peak season and holidays, independent of the model.” Has the Postal Service’s separate planning for the upcoming peak season taken into account that the proposed changes for FCPS going into effect on or after October 1, 2021?
- i. If so, please explain how.
- ii. If not, does the Postal Service intend to take the proposed changes into account as it continues planning for the upcoming peak season over the next few months?
- (1) If so, please explain how.
- (2) If not, please explain why not.
- b. Please refer to the Response to POIR No. 4, question 9.b.i, in which the Postal Service indicates that “[t]he implementation process of transportation changes will progress into and throughout FY 2022. While significant shifts in transportation modes are expected to take place near the time of the proposed implementation, the adjustments to the current surface network will evolve through FY 2022.” Has the Postal Service’s separate planning for the upcoming peak season taken into account these evolving adjustments as well?
- i. If so, please explain how.
- ii. If not, please explain why not.

RESPONSE:

9.a. Yes

- i. The Postal Service is identifying additional opportunity to shift FCPS and FCM from the air network to surface network. Also, STC to STC

³ Responses of the United States Postal Service to Questions 1-9 of Presiding Officer's Information Request No. 6, July 27, 2021 (Response to POIR No. 6).

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connections are being planned to help move volumes during Peak season
and prepare for additional movement of air to surface volumes.

ii. N/A.

9.b. Yes.

i. The Postal Service is identifying additional opportunity to shift FCPS and
FCM from the air network to surface network. Also, STC to STC
connections are being planned to help move volumes during Peak season
and prepare for additional movement of air to surface volumes.

ii. N/A.

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10. Please refer to the Response to POIR No. 4, question 8, in which the Postal Service describes that negotiated service agreement (NSA) customers can use special service codes 401 and 402 to identify competitive products (such as FCPS) that contain prescriptions and medical supplies, respectively. Please also refer to the Response to POIR No. 2, question 14,⁴ in which the Postal Service states “[p]harmaceutical volume without SSC 401 cannot be tracked separately from FCPS.”
- a. Has the Postal Service considered implementing any system to identify other FCPS items sent for medical purposes by customers that do not have a NSA with the Postal Service?
 - i. If so, please explain these considerations.
 - ii. If not, please explain why not.
 - b. Has the Postal Service considered implementing any system to identify other FCPS items sent for medical purposes other than prescriptions and medical supplies (such as non-prescription medications)?
 - i. If so, please explain these considerations.
 - ii. If not, please explain why not.

RESPONSE:

10.a. Yes.

- i. The Postal Service has previously implemented processes to identify medical FCPS shipments sent by non-NSA shippers in emergency situations and would be similarly responsive if conditions in the future warranted such action. For example, the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) states that “during the COVID-19 emergency, the Postal Service—(1) shall prioritize delivery of postal products for medical purposes.” Pub. L. No. 116-136 § 6001(c) (March 27,

⁴ Responses of the United States Postal Service to Questions 1-15 of Presiding Officer's Information Request No. 2, July 8, 2021.

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2020). In accordance with this, the Postal Service partnered with several manufacturers, vendors, and laboratories to ship biological test kits to a variety of healthcare providers and citizens across the country. The effort included the formation of a cross-functional team, determination of necessary packaging and labelling requirements, and development of detailed internal communication and implementation plans. The Postal Service would consider similar steps in the future as needs arise and / or as mandated by law.

ii. N/A.

10.b. Yes.

i. The Postal Service has previously implemented processes to identify medical FCPS shipments of non-prescription medications and would be similarly responsive if conditions in the future warranted such action. For example, the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) states that “during the COVID-19 emergency, the Postal Service—(1) shall prioritize delivery of postal products for medical purposes.” Pub. L. No. 116-136 § 6001(c) (March 27, 2020). In accordance with this, the Postal Service partnered with several manufacturers, vendors, and laboratories to ship biological test kits to a variety of healthcare providers and citizens across the country. The effort included the formation of a cross-functional team, determination of necessary packaging and labelling requirements, and development of detailed internal communication and

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implementation plans. The Postal Service would consider similar steps in the future as needs arise and / or as mandated by law.

ii. N/A.

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11. Please refer to the Response to POIR No. 6, question 5.b., in which the Postal Service indicates that excluding FCPS items containing pharmaceuticals from the proposed service standard changes "could be possible, but would essentially create a separate product, priced the same as FCPS but following a faster, more expensive network path. Separating pharmaceuticals from the FCPS population would increase costs and require separate handling at Origin (i.e. dedicated machines to prevent it from following the FCPS network."
- a. Please elaborate on the extent of the types of operational changes that the Postal Service would be required to make to exclude FCPS items containing pharmaceuticals from the proposal.
 - b. Please estimate the additional costs that the Postal Service would incur by doing so.

RESPONSE:

- 11.a.** Volumes would be required to be identified and sorted and containerized separately to allow dispatching on service responsive transportation. The volume would have to be processed during the same processing window as Priority Mail and other FCPS, increasing the need for added package sorting capacity. Mixed volumes of pharmaceuticals and FCPS would need to be separated during sortation and rehandled on specific sort programs to where the service standards differed from other FCPS. A separate transportation mode matrix would be required to maintain assignment to air transportation for origin and destination pairs extending beyond surface reach.
- 11.b.** No such estimate has been developed, but the basis for the statement is explained in the response to POIR No. 6, question 5.b. Specifically, additional operations would need to be added at multiple facilities across the nation to separate pharmaceuticals from the rest of the FCPS mailstream and then handle them on dedicated machines. Intuitively, adding operations at multiple facilities leads to increased costs.

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12. Please refer to the Response to POIR No. 6, Question No. 8.b., in which the Postal Service stated that, "Priority Mail service is accounted for in the model." Please explain how Priority Mail is accounted for in the model.

RESPONSE:

Priority Mail volumes were included in the model, in the same way other products were included that are transported in the preferential network. The origin and destination processing sites were mapped, and the transportation window constraints based on the service standards for Priority Mail were included.

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13. Please refer to Witness Foti's Testimony on page 7, lines 17 through 18. Witness Foti states, "[First-Class Package Service Transit Commitment Survey (FTC Survey)] respondents most frequently cited price as the primary reason for using FCPS." USPS-T-3 at 7 (footnote omitted). Please also refer to Witness Foti's Testimony on page 8, lines 6 through 8. Witness Foti states, "FTC Survey results show that the majority of sampled FCPS-Commercial shippers stated they would maintain or, in some cases, increase FCPS volumes with these proposed changes." *Id.* at 8 (footnote omitted).
- a. Please confirm that the preferences of recipients of commercial FCPS can also impact the shipper's decision to use FCPS.
 - b. Please confirm whether you have done any research on the customer satisfaction of commercial FCPS recipients as a part of this proposal.
 - i. If confirmed, please direct the Commission to this research.
 - ii. If not confirmed, please explain why such research was not conducted.
 - c. Do you think that this proposal could cause some recipients to value FCPS services less? In other words, might this proposal cause recipients to substitute to other package services?
 - d. If the proposal lowered recipient demand for FCPS services, do you agree that commercial shippers FCPS volume would decrease, all else equal?
 - e. Could commercial shippers that answered the FTC Survey have neglected to consider or, at that time of the survey, had no research to consider how their recipients' demand for FCPS services may change after the proposal?
 - f. If commercial shippers did not consider recipient demand for FCPS services after the proposal (part e), and it is likely that recipient demand for FCPS services will decrease (part c) is it possible that volumes will decrease and those decreases would not be reflected in the FTC Survey (part d)?

RESPONSE:

- a. Confirmed.
- b. Not confirmed.
 - i. N/A

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ii. FCPS-Commercial shippers are the direct customers of the FCPS-Commercial product and make the final decision on which product or service to use for a given shipment. Thus, shippers who use FCPS-Commercial are the most relevant source of information on how the proposed changes to FCPS may affect their decision to use FCPS-Commercial and how their shipping decisions are made overall. While the preferences of recipients of FCPS-Commercial packages may be one factor that impacts a shipper's decision to use FCPS, there are numerous other factors that impact the decision of the shipper, including the size and contents of a shipment, the cost of shipping services, and ease of access, among others. The relative importance of these factors varies greatly between shippers and even between packages sent by a single shipper.

The results of the FTC Survey show that FCPS-Commercial shippers do consider the preferences of their end customers in their decision to use FCPS, as evidenced by the 37 percent of respondents who indicated that "customer-driven decision" (i.e., recipients) was the primary reason for using FCPS. As such, we believe that the results of the FTC Survey accurately estimate the impact of the proposed changes to FCPS, including the impact driven by the preferences of final package recipients.

c. Shippers, not recipients, make the ultimate decision to use FCPS for their shipping needs based on several factors. In many cases, recipients are not aware that they are utilizing FCPS services to receive their shipments. We believe that the proposed changes to FCPS will improve the overall quality of FCPS to both shippers and recipients. The proposed changes enable the Postal Service to achieve its 95

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percent on-time delivery target and will provide greater certainty of on-time delivery estimates to both shippers and recipients. As indicated in the Q1 FY2021 Brand Health Tracker, reliability is the most significant driver of shipping satisfaction for both consumers and business. While a small percentage of shippers may decrease their use of FCPS or stop using FCPS completely, as shown in the results of the FTC Survey, overall, we estimate that FCPS volumes will not be materially affected after the proposed changes to FCPS service standards are implemented. We believe FCPS's compelling value proposition of price, service, and access will continue to resonate with lightweight shipping customers.

d. As stated in the response to question 13.c., shippers, not recipients, make the ultimate decision to use FCPS for their shipping needs based on several factors. In many cases, recipients are not aware that they are utilizing FCPS services to receive their shipments. Numerous factors impact the shipping decisions of commercial shippers, such as the size and contents of a shipment, the cost of shipping services, recipient preferences, ease of access, and other factors. The relative importance of these factors varies greatly between shippers and even between packages sent by a single shipper. However, the results of the FTC Survey from a representative sample of FCPS-Commercial shippers indicate that, overall, FCPS volumes will not be significantly impacted by the proposed changes to FCPS service standards.

e. We have no reason to believe that FTC Survey respondents would have disregarded any important factor when responding to the FTC Survey, as we believe FCPS-Commercial shippers have a vested interest in the quality of their shipping decisions and are well-attuned to the needs and preferences of their end-customers.

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Further, as described in the answer to question 13.b.ii., 37 percent of FTC Survey respondents indicated that “customer-driven decision” (i.e., recipients) was the primary reason for using FCPS, showing that respondents to the FTC Survey did consider the preferences of their end-customers in responding to the survey.

f. As stated in the response to question 13.e., we believe that the surveyed FCPS-Commercial shippers did account for recipient demand in their responses. Further, as stated in question 13.c., we estimate that FCPS volumes will not be materially affected after the proposed changes to FCPS service standards are implemented. The results of the FTC Survey reflect the views of a representative and statistically significant sample of FCPS-Commercial shippers. As such, we have no reason to believe that the results of the FTC Survey do not accurately reflect the views of FCPS-Commercial shippers. We are confident in the results of the survey and believe that the surveyed shippers were well positioned to offer accurate responses regarding how the proposed changes to FCPS service standards would impact their usage of FCPS, including how the proposed changes might impact the preferences of the package recipients and how this would factor into the overall shipping decision.

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14. Please refer to the USPS-T-3 at 6-7 stating that “[t]o evaluate the impact of changes to FCPS service standards on current users of FCPS – Commercial, the Postal Service retained The Colography Group to conduct primary survey research titled the First-Class Package Service Transit Commitment Survey (‘FTC Survey’).”
- a. Please confirm that the FTC Survey does not survey users of FCPS-Retail. If not confirmed, please explain.
 - b. Did the Postal Service separately survey users of FCPS-Retail regarding the proposed changes?
 - i. If so, please identify that research.
 - ii. If not, please explain why not.

RESPONSE:

- a. Confirmed.
- b. The Postal Service did not separately survey users of FCPS-Retail regarding the proposed changes.
 - i. N/A
 - ii. The FCPS Transit Commitment Survey (“FTC Survey”) focused on evaluating the impact of changes to FCPS service standards on current users of FCPS-Commercial. The focus on FCPS-Commercial was selected because FCPS-Commercial comprises 91 percent of total FCPS volumes and therefore is the most significant segment in terms of evaluating the impact of the proposed FCPS changes on overall FCPS volumes.

Further, as described in the response to POIR No. 8, question 3.a., according to the Q1 FY21 Consumer and Commercial Brand Health Tracker (USPS-LR-N2021-2-NP18), the top driver of satisfaction for users of USPS shipping products is: “is reliable.” The proposed operational changes that drive

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these service standard changes will enable greater certainty to FCPS shippers – including FCPS-Retail shippers - of on-time delivery expectations. We expect that this improved clarity of delivery expectations and improved performance at meeting those expectations will improve customer satisfaction. Additionally, relative to other market alternatives, the entire FCPS value proposition of price, service, and access will continue to resonate for shippers using the FCPS-Retail product.

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15. Please refer to the Response to POIR No. 7, question 3,⁵ stating that “[w]e believe that modeling the impact of the proposed changes to FCPS service standards on this [marketplaces] market segment individually would not yield insightful, helpful market information given parcel market dynamics.” Please state whether the Postal Service has attempted to solicit feedback from discrete customer segments within the overall group of stakeholders.
- a. If so, please identify such customer segments.
 - b. If not, please explain why not.

RESPONSE:

The Postal Service did not separately solicit feedback from discrete customer segments. However, the Postal Service did engage in conversations with several key customers and managed accounts on the proposed changes submitted to the Postal Regulatory Commission.

- a. N/A
- b. The Postal Service did not solicit separate feedback from discrete market segments because, as stated in the response to POIR No. 7, question 3, we believe that doing so would be inappropriate given parcel market dynamics. Whether, and to what degree, the proposed changes impact each individual shipper requires an intensive inquiry unique to each shipper. Ultimately, each individual shipper makes its shipping decisions based on a variety of factors unique to their individual needs and the needs of their customers. As such, these needs may not be consistent across shippers in the same market segments. The Postal Service instead looked at the representative impact across customer segments for the best understanding of the overall impact on FCPS volumes of the proposed changes.

⁵ Responses of the United States Postal Service to Questions 1-5 of Presiding Officer's Information Request No. 7, July 29, 2021.

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16. Please identify any changes that the Postal Service has made to the proposal in response to stakeholder feedback.

RESPONSE:

The Postal Service has not made any changes to the proposal in response to stakeholder feedback at this point. However, the initial proposal submitted to the Postal Regulatory Commission incorporated market and customer insights to ensure the proposed changes maintained product competitiveness given latest market trends.

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17. As the date nears for the Postal Service to implement its proposal, how does the Postal Service plan to keep FCPS –users informed regarding the timing and impact of the proposed changes?
- a. Specifically, are there resources (such as websites and/or dedicated Postal Service business units) that FCPS users could monitor or contact to keep informed of when the Postal Service plans to implement its proposal?
- i. If so, please identify those resources and specify whether those resources are limited to commercial or retail users.
- ii. If not, please explain whether and when the Postal Service plans to develop such resources.

RESPONSE:

As the date nears for the proposed changes to FCPS to take effect, the Postal Service will ensure FCPS users are informed regarding the timing and impact of the proposed changes. This plan will utilize a diverse range of resources and tools, as described below in the response to question 17.a.

a. Yes, there are resources that FCPS users could monitor or contact to keep informed of when the Postal Service plans to implement its proposal.

i. The Postal Service will develop a communications plan to inform both commercial and retail shippers of the proposed changes to FCPS that may utilize some combination of the following resources:

- Industry Alert
- DMM Advisory/PC Weekly (for commercial only)
- Email messaging to Industry Leadership (for commercial only)
- USPS Service Alerts website
- PostalPro

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- Push messaging to Customer Care Centers for inclusion within interactive voice response (IVR) and agent interactions
- Sales and Business Service Network contacts with impacted customers (for commercial only)
- Retail Sales Associates to remind customers at the retail counters as transactions take place

In addition to the above, the Service Delivery Calculator (SDC) will be programmed with the new service standards so that the expected delivery date provided by systems (Postal Calculator, Product Tracking, RSS, etc.) will reflect the revised standards and provide accurate expected delivery date information for both FCPS-Commercial and FCPS-Retail users.

ii. N/A.

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18. Please refer to USPS-T-3 at 8, in which the Postal Service states that it “predict[s] a sustained...growth among local volumes.”
- a. Please provide any and all analyses, surveys, and other information that supports this prediction.
 - b. Does the Postal Service have any plans for outreach to existing or potential customers to facilitate dropshipping FCPS items nearer to the destination?
 - i. If so, please discuss that planned outreach and indicate if the Postal Service plans to include smaller- and/or medium-sized businesses that may not already dropship in those plans.
 - ii. If not, please explain why not.

RESPONSE:

- a. The abovementioned statement that the Postal Service “predict[s] a sustained... growth among local volumes” refers to an ongoing trend observed across the entire US parcel market. This trend is not specific to USPS’ First-Class Package Service volumes. The percentage of local FCPS volumes is dependent on many factors; if USPS package volumes grow with the overall US parcel market, then we would expect to see growth in all FCPS volumes, including local volumes.
- b. The Postal Service does not currently have plans for outreach to existing or potential customers to facilitate dropshipping FCPS items nearer to the destination as part of the FCPS product offering.
 - i. N/A
 - ii. The Postal Service continuously surveys the parcel market to detect evolving customer needs and market conditions. The Postal Service then determines the best way to respond to these customer needs through its existing portfolio of shipping products or through the introduction of new products. FCPS is a clearly

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defined, full-network product that does not offer dropshipping services. Other product solutions, including new solutions such as USPS Connect, could address the observed market trend of growth in local volumes.

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19. Please see Attachment, filed under seal.

RESPONSE:

Please see the response previously filed under seal as part of USPS-LR-N2021-2-NP9.